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STAT

CIA DEFENDS HANDLING OF MONEY FROM IRAN ARMS SALES  
WASHINGTON

The Central Intelligence Agency said Wednesday that money from the sales of U.S. arms to Iran was properly handled, and denied published reports that it received profits subsequently funneled to the Contra rebels fighting the Sandinista government in Nicaragua.

The question of the CIA's role in the handling of money came to light on the same day that John Poindexter, who resigned last week as President Reagan's national security adviser, invoked his Fifth Amendment right against self-incrimination and refused to answer questions before the Senate Intelligence Committee.

CIA spokesman George Lauder denied an account published in The Washington Post and confirmed by a U.S. government source Wednesday that the CIA commingled profits from the Iran sales in the same account with funds for other covert operations.

"The only funds related to the Iran program that passed through agency hands were the \$12 million owed to the Pentagon for the arms," Lauder said. "The funds received from the Iranians were segregated and passed on to the Pentagon properly after receipt." Lauder added that "CIA received no profits from any transaction with the Iranians, nor were any funds that passed through agency hands diverted to the Contras or any other covert action program." The Post said congressional investigators had traced profits from the covert sale of U.S. arms to Iran to a Swiss bank account managed by the CIA that also contained U.S. and Saudi funds for Afghan rebels. The Post said money from the account was used to buy arms for U.S.-backed Contra rebels.

A well-placed government source confirmed the substance of the report Wednesday and said the allegation "will be the subject of the investigation of

In Thursday's editions, the Post quoted "a well-placed senior administration official" as saying the commingling of money from the Iran arms sales and funds from the Saudi and U.S. governments to aid Afghan rebels was the result of a "dumb" action by a low-or mid-level CIA employee.

The senior official said the commingling occurred because an overanxious CIA employee was not willing to wait the several days required to establish a new, separate account for the money from arms sales to Iran, the newspaper said.

Presidential spokesman Larry Speakes said he had no knowledge of the reported Swiss account.

"I don't know anything about it, got no way of knowing anything about it," he told reporters.

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At the time of the diversions earlier this year, the U.S. government and specifically the CIA were barred from giving military aid to the Contras. The use of a CIA account would conflict with Attorney General Edwin Meese III's statement Nov. 25 that the Swiss account was controlled by the Contras, an assertion denied by guerrilla leaders.

The source said the CIA's explanation of why it would mix funds for various covert operations was unclear and added that money from Saudi Arabia for the Afghan rebels went through the same account. Meese said the Iranian arm sales profits amounted to \$10 million to \$30 million.

Other sources, on Capitol Hill, said the aid to the Afghan rebels had been secretly authorized by Congress.

The disclosure about the Swiss account "opens up a whole new can of worms on the co-mingling of Saudi, Iran and U.S. funds," the source said.

The source described the CIA's Swiss account as the spy agency's largest, handling \$250 million in CIA aid to the Afghan rebels fighting Soviet troops in Afghanistan, and an equal amount in Saudi money for the Afghans.

"There would be no (CIA) account with more money in it," the source said.

The New York Times, quoting administration officials, reported Wednesday that not all of the money from the account went to the Nicaraguan rebels and that some may have been diverted to anti-communist insurgents in other countries, including Afghanistan and Angola.